

# ROCKBRIDGE COUNTY SOLID WASTE AUTHORITY

(A COMPONENT UNIT OF THE COUNTY OF ROCKBRIDGE, VIRGINIA)



FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2015

**ROCKBRIDGE COUNTY**

**SOLID WASTE AUTHORITY**

**(A COMPONENT UNIT OF THE  
COUNTY OF ROCKBRIDGE, VIRGINIA)**

**FINANCIAL REPORT**

**FOR THE YEAR ENDED JUNE 30, 2015**

**ROCKBRIDGE COUNTY SOLID WASTE AUTHORITY  
(A COMPONENT UNIT OF THE COUNTY OF ROCKBRIDGE, VIRGINIA)**

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**ROCKBRIDGE COUNTY SOLID WASTE AUTHORITY**  
**(A COMPONENT UNIT OF THE COUNTY OF ROCKBRIDGE, VIRGINIA)**

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**SOLID WASTE AUTHORITY BOARD**

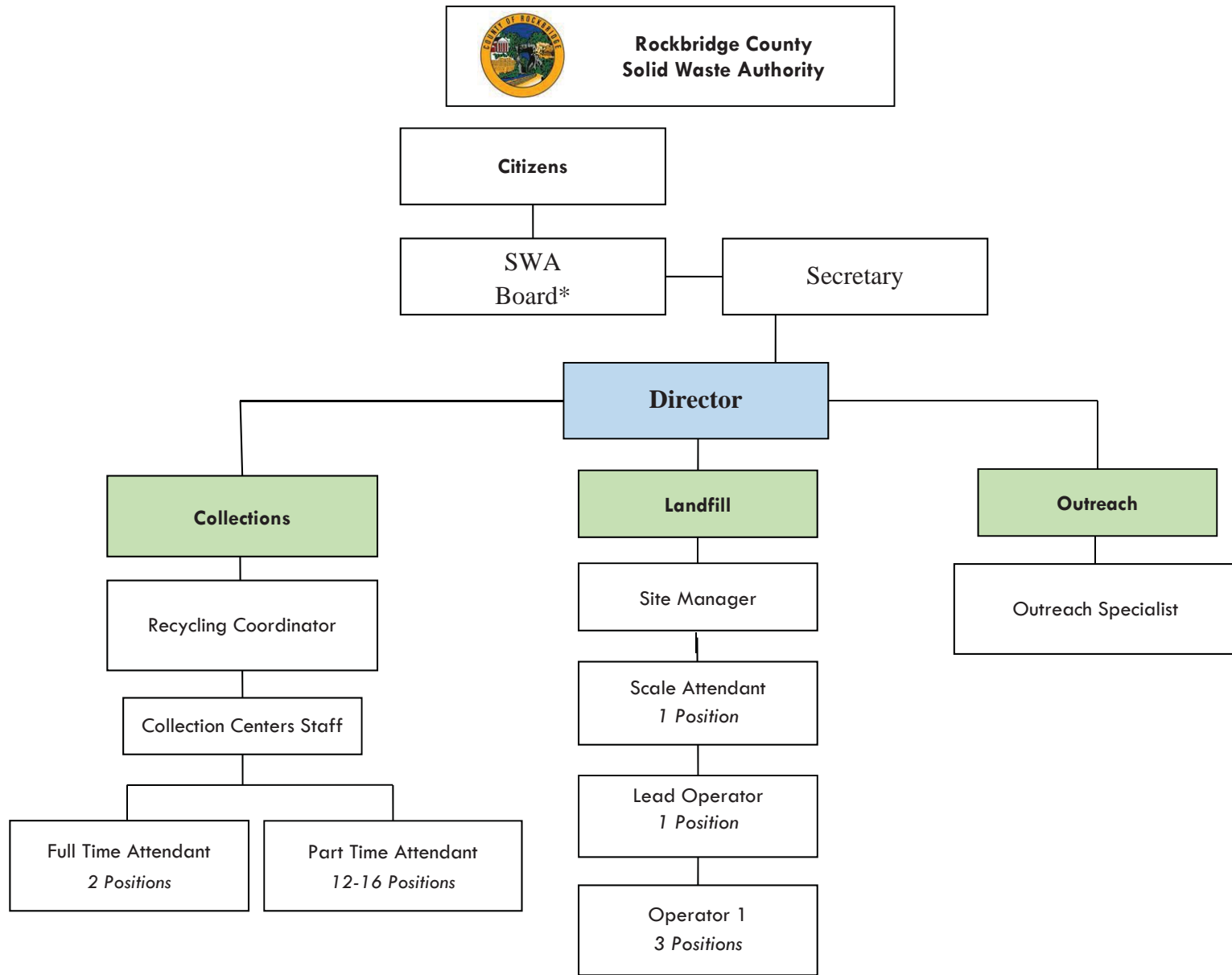
John M. Higgins, Chairman  
David W. Hinty, Jr., Vice-Chairman  
Ronnie R. Campbell  
Russell L. Ford  
Albert W. Lewis, Jr.

**SOLID WASTE AUTHORITY APPOINTED OFFICIALS**

Secretary.....Spencer H. Suter  
County Attorney.....Vickie L. Huffman

**SOLID WASTE AUTHORITY KEY STAFF**

Director of Solid Waste.....Jeremy Garrett  
Site Supervisor.....Fred Dudley  
Recycling Coordinator.....Tracy Schafer



\*Rockbridge County citizens elect the Board of Supervisors who also serve as the SWA Board.

# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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## INDEPENDENT AUDITORS' REPORT

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**TO THE BOARD OF THE ROCKBRIDGE COUNTY SOLID WASTE AUTHORITY  
(A COMPONENT UNIT OF THE COUNTY OF ROCKBRIDGE, VIRGINIA)  
LEXINGTON, VIRGINIA**

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the business-type activities of the Rockbridge County Solid Waste Authority (a component unit of the County of Rockbridge, Virginia) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Rockbridge County Solid Waste Authority, as of June 30, 2015, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Change in Accounting Principle***

As described in Note 2 to the financial statements, in 2015, the Authority adopted new accounting guidance, GASB Statement Nos. 68 *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedules related to pension funding on pages 3-7, and 35-37, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2015, on our consideration of the Rockbridge County Solid Waste Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Rockbridge County Solid Waste Authority's internal control over financial reporting and compliance.

*Robinson, Farmer, Cox Associates*

Staunton, Virginia  
November 27, 2015

## Management's Discussion and Analysis

As management of the Rockbridge County Solid Waste Authority (the Authority), we offer readers of our financial statements this narrative. The narrative provides an overview and analysis of our financial activities for the fiscal year ending (FYE) June 30, 2015.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. Since the Authority is engaged only in business-type activities, its basic financial statements are comprised of only two components: 1) enterprise fund financial statements and 2) notes to the financial statements. This report also contains required supplementary information in addition to the basic financial statements.

**Enterprise fund financial statements.** The enterprise fund financial statements are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private-sector business.

- **Statement of Net Position:** This statement presents information on the Authority's assets and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

- **Statement of Revenues, Expenses, and Changes in Net Position:** This statement presents information showing how the Authority's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

- **Statement of Cash Flows:** This statement reports cash and cash equivalent activities for the year resulting from operating, capital, and related activities.

The basic enterprise fund financial statements are found on pages 9 through 11 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 12 through 36 of this report.

**Required supplementary information.** This report also includes required supplementary information concerning the Authority's progress in funding its obligation to provide pension benefits to its employees. It is located immediately following the notes to financial statements on page 37.

### Financial Highlights of FYE 2015

- The assets of the Authority exceeded its liabilities at the close of FYE 2015 by \$4,110,873 (net position), a \$753,545 increase compared to last fiscal year.
- Total liabilities increased by \$70,174 in FYE 2015 primarily because of the implementation of the GASB 68 reporting requirements on net pension liability, which totaled \$260,935.
- Total revenues increased by \$646,736 when compared to last fiscal year. This change is due to the execution of a planned, 2-year increase to the tipping fee. This subject is discussed in more detail later in the MD&A.
- Total expenses decreased by \$234,520 when compared to FYE 2014. Contracted services related to engineering support was lower than recent trends. In addition, equipment maintenance and fuel costs realized savings with gained efficiency from newer equipment and lower diesel prices.



## Financial Analysis

**Net Position** – The Authority’s total net position invested in capital assets at the end of the past 3 years has grown significantly with the procurement of heavy-duty equipment and the initial stages of developing a new “piggy-back” lined landfill. The Authority uses capital assets to provide services to its customers, so these assets are not available for future spending. Unrestricted net position increased by \$91,192 resulting from higher tipping fees in FYE 2015.

<b>RCSWA NET POSITION</b>			
<b>June 30, 2015</b>			
	Business-type Activities		
	2015	2014	2013
Current and other assets	\$ 4,355,758	\$ 3,777,036	\$ 4,000,751
Capital Assets	3,340,357	3,046,523	2,491,604
<b>Total Assets</b>	<b>\$ 7,696,115</b>	<b>\$ 6,823,559</b>	<b>\$ 6,492,355</b>
Deferred Outflows of Resources	\$ 54,022	\$ -	\$ -
Long-term liabilities	\$ 3,442,104	\$ 3,310,705	\$ 2,995,803
Other liabilities	94,301	155,526	172,688
<b>Total liabilities</b>	<b>\$ 3,536,405</b>	<b>\$ 3,466,231</b>	<b>\$ 3,168,491</b>
Deferred Inflows of Resources	\$ 102,859	\$ -	\$ -
<b>Net Position:</b>			
Net investment in capital assets	\$ 2,166,784	\$ 1,712,920	\$ 1,397,575
Unrestricted (deficit)	733,351	642,159	924,040
Restricted	1,210,738	1,002,249	1,002,249
<b>Total net position</b>	<b>\$ 4,110,873</b>	<b>\$ 3,357,328</b>	<b>\$ 3,323,864</b>

**Changes in Net Position** – Tipping fee revenues for FYE 2015 increased by \$642,507 resulting from the first step in a 2-year plan to raise charges for services to generate additional surplus in FYE 2015 and FYE 2016 to offset future construction cost and equipment procurement towards cell 1 of the piggy-back lined landfill. In addition, the Virginia Department of Environmental Quality (VDEQ) approved the request for Authority staff to extract scrap metal from the landfill working face to sell on the recyclable materials market. The Authority realized nearly \$2,000 in additional revenue from selling these resources over the final few months of the fiscal year.

Expenditures realized a downward trend for the second year in a row. As mentioned earlier, expenses for contracted services, equipment maintenance, and fuel purchases ended the FYE 2015 below approved budget levels. The Authority will continue to track these cost trends as part of the annual budget development.

Transfers from the Rockbridge County General Fund supports two activities under the Authority. First, the County transfers funding to subsidize the recycling program. During FYE 2015, the transfer to the Recycling Fund totaled \$430,478. The second involves funding the planned expansion of the landfill during the due diligence period. Transfers to the landfill totaled \$479,128 in FYE 2015. The Authority plans to finance the overall project through the Virginia Pooled Financing Program in Spring 2016. The estimated financing is approximately \$7,100,000.

<b>RCSWA CHANGES IN NET POSITION</b>			
<b>June 30, 2015</b>			
	Business-type Activities		
	2015	2014	2013
Revenues:			
Program revenues:			
Charges for services	\$ 1,578,750	\$ 936,243	\$ 1,034,968
Operating grants	23,046	23,076	26,161
Use of money and property	3,413	3,018	4,676
Other	8,927	5,063	3,815
Total Revenues	<u>\$ 1,614,136</u>	<u>\$ 967,400</u>	<u>\$ 1,069,620</u>
Expenses:			
Public works	\$ 1,435,346	\$ 1,669,866	\$ 2,117,295
Total expenses	<u>\$ 1,435,346</u>	<u>\$ 1,669,866</u>	<u>\$ 2,117,295</u>
Increase (decrease) in net position before transfers	\$ 178,790	\$ (702,466)	\$ (1,047,675)
Transfers	909,606	735,930	1,234,972
Increase (decrease) net position	\$ 1,088,396	\$ 33,464	\$ 187,297
Net position - beginning as restated	3,022,477	3,323,864	3,136,567
Net position - ending	<u>\$ 4,110,873</u>	<u>\$ 3,357,328</u>	<u>\$ 3,323,864</u>

### **Capital Asset and Debt Administration**

**Capital Assets** – The Authority’s investment in capital assets as of June 30, 2015 is \$3,340,357 after deducting accumulated depreciation of \$1,921,622. The Authority continued its due diligence in evaluating the feasibility of the planned expansion project which includes, but is not limited to, design, engineering, studies, exploration and monitoring, financing, permitting, constructing, and operating a new landfill cell. Below is a comparison of the items that make up net capital assets at the end of the past three fiscal years.

<b>RCSWA CAPITAL ASSETS</b>			
<b>Net of Depreciation</b>			
	Business-type Activities		
	2015	2014	2013
Land	\$ 540,137	\$ 540,137	\$ 540,137
Buildings and systems	1,396,494	1,358,420	1,433,561
Machinery & equipment	615,088	681,358	376,914
Construction in progress	788,638	466,608	140,992
Total	<u>\$ 3,340,357</u>	<u>\$ 3,046,523</u>	<u>\$ 2,491,604</u>

Additional information on the Authority’s capital assets can be found in Note 4 to the financial statements.

Long-term Debt – The Authority has \$3,442,104 in total long-term liability. The accrued closure and post-closure costs liabilities were increased by \$29,147 based on revisions in cost estimates. Long-term obligations were reduced by \$255,091 mainly through reductions in capital leases, net pension liability, and the revenue bond payments.

<b>RCSWA LONG-TERM OBLIGATIONS</b>			
	Business-type Activities		
	2015	2014	2013
Revenue Bonds	\$ 724,462	\$ 750,543	\$ 776,624
Capital Leases	449,111	583,060	317,405
Compensated Absences	32,291	31,944	27,865
Net pension liability	260,935	386,490	-
OPEB Obligation	3,000	2,000	2,000
Landfill closure liability	1,972,305	1,943,158	1,916,329
Total long-term obligations	\$ <u>3,442,104</u>	\$ <u>3,697,195</u>	\$ <u>3,040,223</u>

Additional information on the Authority’s long-term obligations can be found in Note 5 to the financial statements.

**Economic Factors and the FY 2016 Budget and Rates**

- The active landfill is scheduled to close no later than June 30, 2017 in accordance with VDEQ approval on the landfill’s second extension request.
- The Rockbridge County Board of Supervisors/Solid Waste Authority continues its commitment to the long-term costs savings projected from constructing a piggy-back lined landfill. Lexington City has committed to partnering with Rockbridge County on this project.
- The Regional Solid Waste Committee recommended the FYE 2016 per ton tipping fee for Rockbridge County and Lexington City be increased to \$52 per ton to meet operational expenses, debt service expenditures, and planned surplus. Buena Vista City’s tipping fee was recommended at \$37.59 per ton to meet only the operational and debt service break-even point based on their anticipated tonnage. They currently plan to use contracted services to haul their solid waste to a private transfer station on approximately July 1, 2017.
- The Authority approved 2% cost-of-living adjustment to the pay scale and a years-of-service increase for full-time, eligible employees.
- The Authority approved the procurement of an excavator and articulating haul truck in FYE 2016. The acquisition effort is expected to increase equipment lease payments by \$109,691 when compared to FYE 2015.
- The \$52 per ton tipping fee for Rockbridge County and Lexington City is expected to generate \$498,805 in surplus for future procurement needs linked to the new lined landfill.

All of these factors were considered in preparing the County’s budget for the 2016 fiscal year.

**Requests for Information**

This financial report is designed to provide readers with a general overview of the Authority’s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Fiscal Services Department, 150 South Main Street, Lexington, Virginia 24450.

## **FINANCIAL STATEMENTS**

**ROCKBRIDGE COUNTY SOLID WASTE AUTHORITY**  
**(A Component Unit of the County of Rockbridge, Virginia)**  
**Statement of Net Position**  
**June 30, 2015**

**Exhibit 1**

	<b>Business-type Activities</b>		
	Landfill Fund	Recycling Fund	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 994,379	\$ -	\$ 994,379
Accounts receivable	83,309	-	83,309
Due from County of Rockbridge	95,027	-	95,027
Total current assets	<u>\$ 1,172,715</u>	<u>\$ -</u>	<u>\$ 1,172,715</u>
Noncurrent assets:			
Restricted cash and cash equivalents	\$ 3,183,043	\$ -	\$ 3,183,043
Capital assets, net of accumulated depreciation:			
Land	540,137	-	540,137
Building and improvements	1,246,662	149,832	1,396,494
Machinery and equipment	611,934	3,154	615,088
Construction in progress	788,638	-	788,638
Total capital assets	<u>\$ 3,187,371</u>	<u>\$ 152,986</u>	<u>\$ 3,340,357</u>
Total noncurrent assets	<u>\$ 6,370,414</u>	<u>\$ 152,986</u>	<u>\$ 6,523,400</u>
Total assets	<u>\$ 7,543,129</u>	<u>\$ 152,986</u>	<u>\$ 7,696,115</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension Contributions subsequent to measurement date	\$ 34,357	\$ 19,665	\$ 54,022
Total deferred outflows of resources	<u>\$ 34,357</u>	<u>\$ 19,665</u>	<u>\$ 54,022</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 14,155	\$ 826	\$ 14,981
Advances from participating localities	74,292	-	74,292
Accrued interest payable	5,028	-	5,028
Bond payable, current portion	26,081	-	26,081
Capital lease payable, current portion	138,064	-	138,064
Compensated absences, current portion	4,961	2,413	7,374
Total current liabilities	<u>\$ 262,581</u>	<u>\$ 3,239</u>	<u>\$ 265,820</u>
Noncurrent liabilities:			
Compensated absences, net of current portion	\$ 14,884	\$ 10,033	\$ 24,917
Net OPEB obligation	3,000	-	3,000
Net pension liability	167,161	93,774	260,935
Closure and post-closure liability	1,972,305	-	1,972,305
Bonds payable, net of current portion	698,381	-	698,381
Capital lease payable, net of current portion	311,047	-	311,047
Total noncurrent liabilities	<u>\$ 3,166,778</u>	<u>\$ 103,807</u>	<u>\$ 3,270,585</u>
Total liabilities	<u>\$ 3,429,359</u>	<u>\$ 107,046</u>	<u>\$ 3,536,405</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Items related to measurement of net pension liability	\$ 65,894	\$ 36,965	\$ 102,859
Total deferred inflows of resources	<u>\$ 65,894</u>	<u>\$ 36,965</u>	<u>\$ 102,859</u>
<b>NET POSITION</b>			
Net investment in capital assets	\$ 2,013,798	\$ 152,986	\$ 2,166,784
Restricted for landfill closure	1,210,738	-	1,210,738
Unrestricted (deficit)	857,697	(124,346)	733,351
Total net position	<u>\$ 4,082,233</u>	<u>\$ 28,640</u>	<u>\$ 4,110,873</u>

The accompanying notes to financial statements are an integral part of this statement.

**ROCKBRIDGE COUNTY SOLID WASTE AUTHORITY**  
**(A Component Unit of the County of Rockbridge, Virginia)**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**For the Year Ended June 30, 2015**

**Exhibit 2**

	<b>Business-type Activities</b>		
	Landfill Fund	Recycling Fund	Total
Operating revenues:			
Charges for services:			
Landfill Rockbridge County	\$ 993,779	\$ -	\$ 993,779
Landfill City of Lexington	403,411	-	403,411
Landfill City of Buena Vista	181,560	-	181,560
Sale of recyclables	-	3,915	3,915
Miscellaneous	4,561	451	5,012
Total charges for services	<u>\$ 1,583,311</u>	<u>\$ 4,366</u>	<u>\$ 1,587,677</u>
Operating expenses:			
Personnel services	\$ 257,218	\$ 273,666	\$ 530,884
Fringe benefits	99,417	82,070	181,487
Contractual services	156,061	59,138	215,199
Other charges	207,386	31,841	239,227
Rent	11,046	-	11,046
Depreciation	161,703	26,480	188,183
Total operating expenses	<u>\$ 892,831</u>	<u>\$ 473,195</u>	<u>\$ 1,366,026</u>
Operating income (loss)	<u>\$ 690,480</u>	<u>\$ (468,829)</u>	<u>\$ 221,651</u>
Nonoperating revenues (expenses):			
Interest income	\$ 3,413	\$ -	\$ 3,413
Commonwealth of Virginia - litter control grant	-	23,046	23,046
Interest expense	(40,173)	-	(40,173)
Landfill closure costs	(29,147)	-	(29,147)
Total nonoperating revenues (expenses)	<u>\$ (65,907)</u>	<u>\$ 23,046</u>	<u>\$ (42,861)</u>
Income (loss) before transfers	<u>\$ 624,573</u>	<u>\$ (445,783)</u>	<u>\$ 178,790</u>
Transfers in	<u>\$ 479,128</u>	<u>\$ 430,478</u>	<u>\$ 909,606</u>
Net change in net position	<u>\$ 1,103,701</u>	<u>\$ (15,305)</u>	<u>\$ 1,088,396</u>
Total net position - beginning	2,978,532	43,945	3,022,477
Total net position - ending	<u><u>\$ 4,082,233</u></u>	<u><u>\$ 28,640</u></u>	<u><u>\$ 4,110,873</u></u>

The accompanying notes to financial statements are an integral part of this statement.

**ROCKBRIDGE COUNTY SOLID WASTE AUTHORITY**  
**(A Component Unit of the County of Rockbridge, Virginia)**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2015**

**Exhibit 3**

	<b>Business-type Activities</b>		
	Landfill Fund	Recycling Fund	Total
<b>Cash flows from operating activities:</b>			
Receipts from customers/jurisdictions	\$ 1,515,722	\$ 5,270	\$ 1,520,992
Payments to suppliers	(431,486)	(95,058)	(526,544)
Payments to and for employees	(372,366)	(363,736)	(736,102)
Net cash provided by (used for) operating activities	<u>\$ 711,870</u>	<u>\$ (453,524)</u>	<u>\$ 258,346</u>
<b>Cash flows from noncapital financing activities:</b>			
Commonwealth of Virginia-litter control grant	\$ -	\$ 23,046	\$ 23,046
Operating transfer from County of Rockbridge	479,128	430,478	909,606
Net cash provided by (used for) noncapital financing activities	<u>\$ 479,128</u>	<u>\$ 453,524</u>	<u>\$ 932,652</u>
<b>Cash flows from capital and related financing activities:</b>			
Purchase of capital assets	\$ (482,017)	\$ -	\$ (482,017)
Principal paid on capital debt	(153,949)	-	(153,949)
Interest paid on capital debt	(46,408)	-	(46,408)
Net cash provided by (used for) capital and related financing activities	<u>\$ (682,374)</u>	<u>\$ -</u>	<u>\$ (682,374)</u>
<b>Cash flows from investing activities:</b>			
Interest income	\$ 3,413	\$ -	\$ 3,413
Increase (decrease) in cash and cash equivalents	\$ 512,037	\$ -	\$ 512,037
Cash and cash equivalents (including restricted), beginning of year	3,665,385	-	3,665,385
Cash and cash equivalents (including restricted), end of year	<u>\$ 4,177,422</u>	<u>\$ -</u>	<u>\$ 4,177,422</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>			
Operating income (loss)	\$ 690,480	\$ (468,829)	\$ 221,651
<b>Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:</b>			
Depreciation	161,703	26,480	188,183
<b>Changes in operating assets and liabilities:</b>			
(Increase) decrease in accounts receivable	(33,066)	904	(32,162)
(Increase) decrease in due from other funds	(34,523)	-	(34,523)
(Increase) decrease in deferred outflows of resources	(1,275)	(1,107)	(2,382)
Increase (decrease) in accounts payable	(56,993)	(4,079)	(61,072)
Increase (decrease) in compensated absences	(915)	1,263	348
Increase (decrease) in Net OPEB obligation	1,000	-	1,000
Increase (decrease) in net pension liability	(80,435)	(45,121)	(125,556)
Increase (decrease) in deferred inflows of resources	65,894	36,965	102,859
Net cash provided by (used for) operating activities	<u>\$ 711,870</u>	<u>\$ (453,524)</u>	<u>\$ 258,346</u>
<b>Schedule of non-cash capital and related financing activities:</b>			
Landfill closure costs	<u>\$ 29,147</u>	<u>\$ -</u>	<u>\$ 29,147</u>

The accompanying notes to financial statements are an integral part of this statement.

**ROCKBRIDGE COUNTY SOLID WASTE AUTHORITY  
(A COMPONENT UNIT OF THE COUNTY OF ROCKBRIDGE, VIRGINIA)**

**Notes to Financial Statements  
June 30, 2015**

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**NOTE 1—BASIS OF PRESENTATION:**

- A. Organization and Purpose - The Rockbridge County Solid Waste Authority (a Component Unit of the County of Rockbridge, Virginia) was created by the Board of Supervisors for the purpose of developing an operating regional garbage and refuse disposal. The Authority owns the only permitted landfill site within the County of Rockbridge. The County of Rockbridge is responsible for the operation and maintenance of the landfill. The Cities of Buena Vista and Lexington participate in this regional landfill pursuant to a garbage disposal contract agreement dated November 13, 1995.
- B. Reporting Entity - The Rockbridge County Solid Waste Authority is reported as a blended Component Unit of the County of Rockbridge. The Authority is governed by a board comprised of the Rockbridge County Board of Supervisors. The rates for user charges and the authorizations to incur indebtedness are approved by the Board of Supervisors of Rockbridge County, and the Authority. The Authority is reported as an enterprise activity.
- C. Basic Financial Statements - Since the Authority is only engaged in business-type activities, it is required to present only the financial statements required for enterprise funds. For the Authority, the basic financial statements and required supplementary information consist of:
- Management's discussion and analysis
  - Enterprise fund financial statements
    - Statement of Net Position
    - Statement of Revenues, Expenses and Changes in Net Position
    - Statement of Cash Flows
    - Notes to Financial Statements
  - Required Supplementary Information
    - Schedule of Authority's Proportionate Share of the Net Pension Liability
    - Schedule of Employer Contributions
    - Notes to Required Supplementary Information
- D. Business-type Activities account for activities similar to those found in the private sector. The measurement focus is upon determination of net income. Business-type activities consist of Enterprise Funds.
- E. Enterprise Funds account for operations that are financed and operated in a manner similar to private business enterprises. The intent of the Authority is that the cost of providing services to the general public be financed or recovered through user charges. The Enterprise Funds consist of the Landfill Fund and the Recycling Fund.

**NOTE 2—SIGNIFICANT ACCOUNTING POLICIES:**

- A. Basis of Accounting - The Rockbridge County Solid Waste Authority (a Component Unit of the County of Rockbridge, Virginia) operates as an enterprise activity and its accounts are maintained on the accrual basis of accounting. Under this method, revenues are recognized when earned, and expenses are recorded as liabilities when incurred, without regard to receipt or payment of cash. The Authority accrues revenue for services rendered but not yet billed at the end of the fiscal year.



**ROCKBRIDGE COUNTY SOLID WASTE AUTHORITY  
(A COMPONENT UNIT OF THE COUNTY OF ROCKBRIDGE, VIRGINIA)**

**Notes to Financial Statements (Continued)  
June 30, 2015**

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**NOTE 2—SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

A. Basis of Accounting (continued)

The Authority distinguishes *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Authority's principal ongoing operations. The principal operating revenues of the Authority are charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When resources are available for a specific purpose, it is the Authority's policy to use restricted funds first before unrestricted funds are used.

- B. Accounts Receivable - Accounts receivable are reported at book value utilizing the direct write-off method for uncollectible accounts. Uncollected balances have not been significant and no allowances for uncollectible accounts are recorded.
- C. Capital Assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the financial statements. Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Landfill equipment	3 to 20 years
Wells	20 to 30 years
Buildings	30 years

Maintenance and repairs are charged to expense as incurred; material renewals and betterments are capitalized. When assets are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in income.

Depreciation is calculated using the straight line method. Depreciation for the year ended June 30, 2015 was \$188,183.

- D. Cash and Cash Equivalents - For the purpose of the Statement of Cash Flows, cash and cash equivalents are defined as short-term highly liquid investments that are both readily convertible to known amount of cash and investments with original maturities of 90 days or less. The authority considers all bank accounts to be cash and cash equivalents.
- E. Interest on Indebtedness - Interest expense applicable to that portion of indebtedness, the proceeds of which are used to construct new facilities, is capitalized during the period of construction as part of the cost of such facilities. No interest was capitalized for the year ended June 30, 2015. Other interest costs of the Authority are treated as nonoperating expenses.

**ROCKBRIDGE COUNTY SOLID WASTE AUTHORITY  
(A COMPONENT UNIT OF THE COUNTY OF ROCKBRIDGE, VIRGINIA)**

**Notes to Financial Statements (Continued)  
June 30, 2015**

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**NOTE 2—SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

- F. Budgets and Budgetary Accounting -The budgets are adopted on an appropriation basis. Principally, the appropriation basis of budgeting provides for a full accrual basis of accounting, capital expenditures, and bond principal payments but does not provide for depreciation of utility plant and amortization.
- G. Inventory - Consumption of materials and supplies is recorded as an expense when used. No inventory amount is recorded as an asset, as available inventories are not significant.
- H. Use of Estimates - The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.
- I. Restricted Assets - The Authority maintains restricted assets invested in the Local Government Investment Pool. These funds are restricted for the payment of future closure and post-closure costs associated with the landfill.
- J. Investments - Investments, consisting of the Local Government Investment Pool, are reported at fair value.
- K. Net Position - Net position is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. Net investment in capital assets represents capital assets, less accumulated depreciation, less any outstanding debt related to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.
- L. Net Position Flow Assumption - Sometimes the Authority will fund outlays for a particular purpose from both restricted (e.g. restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Authority’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.
- M. Deferred Outflows/Inflows of Resources - In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Authority has one type of item that qualifies for reporting in this category. It is comprised of contributions to the pension plan made during the current year and subsequent to the net pension liability measurement date, which will be recognized as a reduction of the net pension liability next fiscal year. For more detailed information on this item, reference the pension note.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Authority has one type of item that qualifies for reporting in this category. It is comprised of certain items related to the measurement of the net pension liability. These include differences between expected and actual experience, change in assumptions, and the net difference between projected and actual earnings on pension plan investments. For more detailed information on these items, reference the pension note.

**ROCKBRIDGE COUNTY SOLID WASTE AUTHORITY  
(A COMPONENT UNIT OF THE COUNTY OF ROCKBRIDGE, VIRGINIA)**

**Notes to Financial Statements (Continued)  
June 30, 2015**

**NOTE 2—SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

N. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Authority’s Retirement Plan and the additions to/deductions from the Authority’s Retirement Plan’s net fiduciary position have been determined on the same basis as they were reported by the Virginia Retirement System (VRS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

O. Adoption of Accounting Principles/Restatement of Beginning Net Position - Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*:

The Authority implemented the financial reporting provisions of the above Statements for the fiscal year ended June 30, 2015. These Statements establish standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense related to pensions. Note disclosure and required supplementary information requirements about pensions are also addressed. The requirements of these statements will improve financial reporting by improving accounting and financial reporting by state and local governments for pensions. The implementation of these Statements resulted in the following restatement of net position:

	<u>Landfill</u>	<u>Recycling</u>	<u>Total</u>
	<u>Fund</u>	<u>Fund</u>	
Net Position as reported at June 30, 2014	\$ 3,193,045	\$ 164,283	\$ 3,357,328
Implementation of GASB 68	(214,513)	(120,338)	(334,851)
Net Position as restated at June 30, 2014	<u>\$ 2,978,532</u>	<u>\$ 43,945</u>	<u>\$ 3,022,477</u>

**NOTE 3—DEPOSITS AND INVESTMENTS:**

Deposits

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the “Act”) Section 2.2-4400 et. seq. of the Code of Virginia. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial Institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

Investments

Statutes authorize the Authority to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, “prime quality” commercial paper and certain corporate notes, banker's acceptances, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP).

**ROCKBRIDGE COUNTY SOLID WASTE AUTHORITY  
(A COMPONENT UNIT OF THE COUNTY OF ROCKBRIDGE, VIRGINIA)**

**Notes to Financial Statements (Continued)  
June 30, 2015**

**NOTE 3—DEPOSITS AND INVESTMENTS: (CONTINUED):**

Credit Risk of Debt Securities

The Authority investment policy for credit risk is consistent with the investments allowed by statutes as detailed above.

The Authority's rated debt investments as of June 30, 2015 were rated by Standard & Poor's and the ratings are presented below using the Standard & Poor's rating scale.

**Authority's Rated Debt Investment's Values**

	<u>Fair Quality Ratings</u>
	<u>AAAm</u>
Local Government Investment Pool	\$ 3,183,043
Total	\$ 3,183,043

External Investment Pool

The fair value of the positions in the Local Government Investment Pool (LGIP) is the same as the value of the pool shares. As this pool is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. LGIP maintains a policy to operate in a manner consistent with SEC Rule 2a-7.

**NOTE 4—CAPITAL ASSETS:**

Details of changes in capital assets for the year ended June 30, 2015 are as follows:

	<u>Balance June 30, 2014</u>	<u>Additions</u>	<u>Transfers</u>	<u>Balance June 30, 2015</u>
<b>Landfill Fund:</b>				
Capital Assets not being depreciated:				
Land	\$ 540,137	\$ -	\$ -	\$ 540,137
Construction in progress	466,608	454,563	(132,533)	788,638
Total capital assets not being depreciated	\$ 1,006,745	\$ 454,563	\$ (132,533)	\$ 1,328,775
Capital Assets being depreciated:				
Buildings and improvements	\$ 2,021,999	\$ -	\$ 132,533	\$ 2,154,532
Machinery and equipment	1,328,161	27,454	-	1,355,615
Total capital assets being depreciated	\$ 3,350,160	\$ 27,454	\$ 132,533	\$ 3,510,147
Accumulated depreciation:				
Buildings and improvements	\$ (839,260)	\$ (68,610)	\$ -	\$ (907,870)
Machinery and equipment	(650,588)	(93,093)	-	(743,681)
Total accumulated depreciation	\$ (1,489,848)	\$ (161,703)	\$ -	\$ (1,651,551)
Net capital assets being depreciated	\$ 1,860,312	\$ (134,249)	\$ 132,533	\$ 1,858,596
Total capital assets, net of accumulated depreciation	\$ 2,867,057	\$ 320,314	\$ -	\$ 3,187,371
<b>Recycling Fund:</b>				
Capital Assets being depreciated:				
Buildings and improvements	\$ 408,748	\$ -	\$ -	\$ 408,748
Machinery and equipment	14,309	-	-	14,309
Total capital assets	\$ 423,057	\$ -	\$ -	\$ 423,057
Accumulated depreciation:				
Buildings and improvements	(233,067)	(25,849)	-	(258,916)
Machinery and equipment	(10,524)	(631)	-	(11,155)
Total accumulated depreciation	\$ (243,591)	\$ (26,480)	\$ -	\$ (270,071)
Net capital assets being depreciated	\$ 179,466	\$ (26,480)	\$ -	\$ 152,986

**ROCKBRIDGE COUNTY SOLID WASTE AUTHORITY  
(A COMPONENT UNIT OF THE COUNTY OF ROCKBRIDGE, VIRGINIA)**

**Notes to Financial Statements (Continued)  
June 30, 2015**

**NOTE 5—LONG-TERM OBLIGATIONS:**

Changes in long-term obligations:

The following is a summary of long-term obligation transactions of the Authority for the year ended June 30, 2015:

	Restated Balance July 1, 2014	Issuances	Retirements	Balance June 30, 2015
Revenue Bonds	\$ 635,000	\$ -	\$ 20,000	\$ 615,000
Bond Premium	115,543	-	6,081	109,462
Capital Leases	583,060	-	133,949	449,111
Compensated Absences	31,944	28,749	28,402	32,291
Net OPEB Obligation	2,000	1,000	-	3,000
Landfill Closure and Post Closure Care	1,943,158	29,147	-	1,972,305
Net Pension Liability	386,490	176,139	301,694	260,935
	<u>3,697,195</u>	<u>235,035</u>	<u>490,126</u>	<u>3,442,104</u>
Total Long-Term Obligations	<u>\$ 3,697,195</u>	<u>\$ 235,035</u>	<u>\$ 490,126</u>	<u>\$ 3,442,104</u>

Annual requirements to amortize long-term indebtedness and related interest are as follows:

Year Ending June 30,	Business-type Activities			
	Capital Leases		Revenue Bond	
	Principal	Interest	Principal	Interest
2016	\$ 138,064	\$ 11,662	\$ 20,000	\$ 29,656
2017	142,305	7,420	25,000	28,653
2018	134,562	3,063	25,000	27,522
2019	34,180	247	25,000	26,316
2020	-	-	25,000	25,109
2021	-	-	30,000	23,700
2022	-	-	30,000	22,238
2023	-	-	30,000	20,800
2024	-	-	30,000	19,288
2025	-	-	35,000	17,622
2026	-	-	35,000	15,828
2027	-	-	35,000	14,134
2028	-	-	40,000	12,462
2029	-	-	40,000	10,763
2030	-	-	45,000	8,584
2031	-	-	45,000	6,278
2032	-	-	50,000	3,844
2033	-	-	50,000	1,281
Totals	<u>\$ 449,111</u>	<u>\$ 22,392</u>	<u>\$ 615,000</u>	<u>\$ 314,078</u>

**ROCKBRIDGE COUNTY SOLID WASTE AUTHORITY  
(A COMPONENT UNIT OF THE COUNTY OF ROCKBRIDGE, VIRGINIA)**

**Notes to Financial Statements (Continued)  
June 30, 2015**

**NOTE 5—LONG-TERM OBLIGATIONS: (CONTINUED)**

Details of long term obligations:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
<b><u>Revenue bond:</u></b>		
VRA 2012A Revenue Bond totaling \$655,000. The obligation is due in varying annual principal installments, and semi-annual interest payments with interest from 3.625% to 5.125% of \$2,331 beginning October 1, 2012 through April 1, 2033.	\$ 615,000	\$ 20,000
<b><u>Capital leases:</u></b>		
\$309,436 issued April 13, 2013 for a track loader, due in monthly payments of \$5,588 through April 15, 2018, interest at 4.55%.	\$ 180,468	\$ 62,154
\$381,677 issued August 15, 2013 for a compactor, due in monthly payments of \$6,889 through April 15, 2019, interest at 2.89%.	<u>268,643</u>	<u>75,910</u>
Total capital leases	\$ <u>449,111</u>	\$ <u>138,064</u>
Unamortized bond premium	\$ <u>109,462</u>	\$ <u>6,081</u>
Compensated Absences	\$ <u>32,291</u>	\$ <u>7,374</u>
Net OPEB obligation	\$ <u>3,000</u>	\$ -
Landfill closure and post-closure liability	\$ <u>1,972,305</u>	\$ -
Net pension liability	\$ <u>260,935</u>	\$ -
Total	\$ <u><u>3,442,104</u></u>	\$ <u><u>171,519</u></u>

**NOTE 6—CAPITAL LEASES:**

The Authority has financed the acquisition of equipment by means of capital leases. These lease agreements qualify as capital leases for accounting purposes and therefore, have been recorded at the present value of future minimum lease payments as of the inception date. The assets acquired through capital leases are as follows:

Assets:	
Machinery and equipment	\$ 694,814
Accumulated depreciation	<u>(169,877)</u>
Total	<u><u>\$ 524,937</u></u>

The future minimum lease obligations and the net present value of minimum lease payments as of June 30, 2015 are as follows:

Year Ended	
June 30,	
2016	\$ 149,726
2017	149,725
2018	137,625
2019	<u>34,428</u>
Total	\$ <u>471,504</u>
Less: Amount representing interest	<u>(22,393)</u>
Present value of minimum lease payments:	<u><u>\$ 449,111</u></u>

**ROCKBRIDGE COUNTY SOLID WASTE AUTHORITY  
(A COMPONENT UNIT OF THE COUNTY OF ROCKBRIDGE, VIRGINIA)**

**Notes to Financial Statements (Continued)  
June 30, 2015**

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**NOTE 7—ADVANCES FROM PARTICIPATING ENTITIES:**

The Solid Waste Authority has advances from participating localities as follows:

	Balance June 30, 2014	Increase (Decrease)	Balance June 30, 2015
City of Lexington	\$ 5,303	\$ -	\$ 5,303
City of Buena Vista	5,510	-	5,510
County of Rockbridge	63,479	-	63,479
Total	<u>\$ 74,292</u>	<u>\$ -</u>	<u>\$ 74,292</u>

**NOTE 8—INTERFUND TRANSFERS:**

Transfers are received from the County of Rockbridge, Virginia and are used to finance various programs accounted for in other funds in accordance with budgeting authorization of the County. Transfers received from the County of Rockbridge for the year ended June 30, 2015 amounted to \$909,606.

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**ROCKBRIDGE COUNTY SOLID WASTE AUTHORITY  
(A COMPONENT UNIT OF THE COUNTY OF ROCKBRIDGE, VIRGINIA)**

**Notes to Financial Statements (Continued)  
June 30, 2015**

**NOTE 9—PENSION PLAN:**

***Plan Description***

All full-time, salaried permanent employees of the Authority are automatically covered by the County of Rockbridge, Virginia Retirement Plan, a cost-sharing multiple employer plan. This plan is administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the Code of Virginia, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

The System administers three different benefit structures for covered employees – Plan 1, Plan 2, and, Hybrid. Each of these benefit structures has a different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

<b>RETIREMENT PLAN PROVISIONS</b>		
<b>PLAN 1</b>	<b>PLAN 2</b>	<b>HYBRID RETIREMENT PLAN</b>
<p><b>About Plan 1</b> Plan 1 is a defined benefit plan. The retirement benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p>	<p><b>About Plan 2</b> Plan 2 is a defined benefit plan. The retirement benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p>	<p><b>About the Hybrid Retirement Plan</b> The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (see “Eligible Members”)</p> <ul style="list-style-type: none"> <li>• The defined benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula.</li> <li>• The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.</li> </ul>



**ROCKBRIDGE COUNTY SOLID WASTE AUTHORITY  
(A COMPONENT UNIT OF THE COUNTY OF ROCKBRIDGE, VIRGINIA)**

**Notes to Financial Statements (Continued)  
June 30, 2015**

**NOTE 9—PENSION PLAN: (CONTINUED)**

***Plan Description (Continued)***

<b>RETIREMENT PLAN PROVISIONS (CONTINUED)</b>		
<b>PLAN 1</b>	<b>PLAN 2</b>	<b>HYBRID RETIREMENT PLAN</b>
<p><b>About Plan 1 (Cont.)</b></p>	<p><b>About Plan 2 (Cont.)</b></p>	<p><b>About the Hybrid Retirement Plan (Cont.)</b></p> <ul style="list-style-type: none"> <li>• In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.</li> </ul>
<p><b>Eligible Members</b> Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p> <p><b>Hybrid Opt-In Election</b> VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p><b>Eligible Members</b> Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p> <p><b>Hybrid Opt-In Election</b> Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p><b>Eligible Members</b> Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> <li>• Political subdivision employees*</li> <li>• Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014.</li> </ul> <p><b>*Non-Eligible Members</b> Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> <li>• Political subdivision employees who are covered by enhanced benefits for hazardous duty employees.</li> </ul>

**ROCKBRIDGE COUNTY SOLID WASTE AUTHORITY  
(A COMPONENT UNIT OF THE COUNTY OF ROCKBRIDGE, VIRGINIA)**

**Notes to Financial Statements (Continued)  
June 30, 2015**

**NOTE 9—PENSION PLAN: (CONTINUED)**

***Plan Description (Continued)***

<b>RETIREMENT PLAN PROVISIONS (CONTINUED)</b>		
<b>PLAN 1</b>	<b>PLAN 2</b>	<b>HYBRID RETIREMENT PLAN</b>
<p><b>Hybrid Opt-In Election (Cont.)</b> Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.</p>	<p><b>Hybrid Opt-In Election (Cont.)</b> Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.</p>	<p><b>*Non-Eligible Members (Cont.)</b> Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p>
<p><b>Retirement Contributions</b> Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016. The Solid Waste Authority opted to make the transition in a single fiscal year rather than phasing in the requirement. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p>	<p><b>Retirement Contributions</b> Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016. The Solid Waste Authority opted to make the transition in a single fiscal year rather than phasing in the requirement.</p>	<p><b>Retirement Contributions</b> A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.</p>

**ROCKBRIDGE COUNTY SOLID WASTE AUTHORITY  
(A COMPONENT UNIT OF THE COUNTY OF ROCKBRIDGE, VIRGINIA)**

**Notes to Financial Statements (Continued)  
June 30, 2015**

**NOTE 9—PENSION PLAN: (CONTINUED)**

***Plan Description (Continued)***

<b>RETIREMENT PLAN PROVISIONS (CONTINUED)</b>		
<b>PLAN 1</b>	<b>PLAN 2</b>	<b>HYBRID RETIREMENT PLAN</b>
<p><b>Creditable Service</b> Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p>	<p><b>Creditable Service</b> Same as Plan 1.</p>	<p><b>Creditable Service</b> <b><u>Defined Benefit Component:</u></b> Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p> <p><b><u>Defined Contributions Component:</u></b> Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p>

**ROCKBRIDGE COUNTY SOLID WASTE AUTHORITY  
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**Notes to Financial Statements (Continued)  
June 30, 2015**

**NOTE 9—PENSION PLAN: (CONTINUED)**

***Plan Description (Continued)***

<b>RETIREMENT PLAN PROVISIONS (CONTINUED)</b>		
<b>PLAN 1</b>	<b>PLAN 2</b>	<b>HYBRID RETIREMENT PLAN</b>
<p><b>Vesting</b> Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.</p> <p>Members are always 100% vested in the contributions that they make.</p>	<p><b>Vesting</b> Same as Plan 1.</p>	<p><b>Vesting</b> <b><u>Defined Benefit Component:</u></b> Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p> <p><b><u>Defined Contributions Component:</u></b> Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.</p> <p>Members are always 100% vested in the contributions that they make.</p>

**ROCKBRIDGE COUNTY SOLID WASTE AUTHORITY  
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**Notes to Financial Statements (Continued)  
June 30, 2015**

**NOTE 9—PENSION PLAN: (CONTINUED)**

***Plan Description (Continued)***

<b>RETIREMENT PLAN PROVISIONS (CONTINUED)</b>		
<b>PLAN 1</b>	<b>PLAN 2</b>	<b>HYBRID RETIREMENT PLAN</b>
<b>Vesting (Cont.)</b>	<b>Vesting (Cont.)</b>	<p><b>Vesting (Cont.)</b>  <u><b>Defined Contributions</b></u>  <u><b>Component: (Cont.)</b></u>                      Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p> <ul style="list-style-type: none"> <li>• After two years, a member is 50% vested and may withdraw 50% of employer contributions.</li> <li>• After three years, a member is 75% vested and may withdraw 75% of employer contributions.</li> <li>• After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.</li> </ul> <p>Distribution is not required by law until age 70½.</p>
<p><b>Calculating the Benefit</b>                      The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.</p>	<p><b>Calculating the Benefit</b>                      See definition under Plan 1.</p>	<p><b>Calculating the Benefit</b>  <u><b>Defined Benefit Component:</b></u>                      See definition under Plan 1</p>

**ROCKBRIDGE COUNTY SOLID WASTE AUTHORITY  
(A COMPONENT UNIT OF THE COUNTY OF ROCKBRIDGE, VIRGINIA)**

**Notes to Financial Statements (Continued)  
June 30, 2015**

**NOTE 9—PENSION PLAN: (CONTINUED)**

***Plan Description (Continued)***

<b>RETIREMENT PLAN PROVISIONS (CONTINUED)</b>		
<b>PLAN 1</b>	<b>PLAN 2</b>	<b>HYBRID RETIREMENT PLAN</b>
<p><b>Calculating the Benefit (Cont.)</b> An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.</p>	<p><b>Calculating the Benefit (Cont.)</b></p>	<p><b>Calculating the Benefit (Cont.)</b> <b><u>Defined Contribution Component:</u></b> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.</p>
<p><b>Average Final Compensation</b> A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p><b>Average Final Compensation</b> A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p><b>Average Final Compensation</b> Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>
<p><b>Service Retirement Multiplier</b> <b>VRS:</b> The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.</p> <p><b>Sheriffs and regional jail superintendents:</b> The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.</p> <p><b>Political subdivision hazardous duty employees:</b> The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.</p>	<p><b>Service Retirement Multiplier</b> <b>VRS:</b> Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.</p> <p><b>Sheriffs and regional jail superintendents:</b> Same as Plan 1.</p> <p><b>Political subdivision hazardous duty employees:</b> Same as Plan 1.</p>	<p><b>Service Retirement Multiplier</b> <b><u>Defined Benefit Component:</u></b> <b>VRS:</b> The retirement multiplier for the defined benefit component is 1.00%.</p> <p>For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.</p> <p><b>Sheriffs and regional jail superintendents:</b> Not applicable.</p> <p><b>Political subdivision hazardous duty employees:</b> Not applicable.</p> <p><b>Defined Contribution Component:</b> Not applicable.</p>

ROCKBRIDGE COUNTY SOLID WASTE AUTHORITY  
(A COMPONENT UNIT OF THE COUNTY OF ROCKBRIDGE, VIRGINIA)

Notes to Financial Statements (Continued)  
June 30, 2015

**NOTE 9—PENSION PLAN: (CONTINUED)**

*Plan Description (Continued)*

<b>RETIREMENT PLAN PROVISIONS (CONTINUED)</b>		
<b>PLAN 1</b>	<b>PLAN 2</b>	<b>HYBRID RETIREMENT PLAN</b>
<p><b>Normal Retirement Age</b> VRS: Age 65.</p> <p><b>Political subdivisions hazardous duty employees:</b> Age 60.</p>	<p><b>Normal Retirement Age</b> VRS: Normal Social Security retirement age.</p> <p><b>Political subdivisions hazardous duty employees:</b> Same as Plan 1.</p>	<p><b>Normal Retirement Age</b> <b><u>Defined Benefit Component:</u></b> VRS: Same as Plan 2.</p> <p><b>Political subdivisions hazardous duty employees:</b> Not applicable.</p> <p><b><u>Defined Contribution Component:</u></b> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p><b>Earliest Unreduced Retirement Eligibility</b> VRS: Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.</p> <p><b>Political subdivisions hazardous duty employees:</b> Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.</p>	<p><b>Earliest Unreduced Retirement Eligibility</b> VRS: Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p><b>Political subdivisions hazardous duty employees:</b> Same as Plan 1.</p>	<p><b>Earliest Unreduced Retirement Eligibility</b> <b><u>Defined Benefit Component:</u></b> VRS: Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p><b>Political subdivisions hazardous duty employees:</b> Not applicable.</p> <p><b><u>Defined Contribution Component:</u></b> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p><b>Earliest Reduced Retirement Eligibility</b> VRS: Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.</p>	<p><b>Earliest Reduced Retirement Eligibility</b> VRS: Age 60 with at least five years (60 months) of creditable service.</p>	<p><b>Earliest Reduced Retirement Eligibility</b> <b><u>Defined Benefit Component:</u></b> VRS: Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.</p>

**ROCKBRIDGE COUNTY SOLID WASTE AUTHORITY  
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**Notes to Financial Statements (Continued)  
June 30, 2015**

**NOTE 9—PENSION PLAN: (CONTINUED)**

***Plan Description (Continued)***

<b>RETIREMENT PLAN PROVISIONS (CONTINUED)</b>		
<b>PLAN 1</b>	<b>PLAN 2</b>	<b>HYBRID RETIREMENT PLAN</b>
<p><b>Earliest Reduced Retirement Eligibility (Cont.)</b></p> <p><b>Political subdivisions hazardous duty employees:</b> 50 with at least five years of creditable service.</p>	<p><b>Earliest Reduced Retirement Eligibility (Cont.)</b></p> <p><b>Political subdivisions hazardous duty employees:</b> Same as Plan 1.</p>	<p><b>Earliest Reduced Retirement Eligibility (Cont.)</b></p> <p><b>Political subdivisions hazardous duty employees:</b> Not applicable.</p> <p><b><u>Defined Contribution Component:</u></b> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b> The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.</p> <p><b><u>Eligibility:</u></b> For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.</p> <p>For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b> The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.</p> <p><b><u>Eligibility:</u></b> Same as Plan 1</p>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b> <b><u>Defined Benefit Component:</u></b> Same as Plan 2.</p> <p><b><u>Defined Contribution Component:</u></b> Not applicable.</p> <p><b><u>Eligibility:</u></b> Same as Plan 1 and Plan 2.</p>



**ROCKBRIDGE COUNTY SOLID WASTE AUTHORITY  
(A COMPONENT UNIT OF THE COUNTY OF ROCKBRIDGE, VIRGINIA)**

**Notes to Financial Statements (Continued)  
June 30, 2015**

**NOTE 9—PENSION PLAN: (CONTINUED)**

***Plan Description (Continued)***

<b>RETIREMENT PLAN PROVISIONS (CONTINUED)</b>		
<b>PLAN 1</b>	<b>PLAN 2</b>	<b>HYBRID RETIREMENT PLAN</b>
<p><b>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</b></p> <p><b><u>Exceptions to COLA Effective Dates:</u></b> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> <li>• The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.</li> <li>• The member retires on disability.</li> <li>• The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).</li> <li>• The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.</li> <li>• The member dies in service and the member’s survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.</li> </ul>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</b></p> <p><b><u>Exceptions to COLA Effective Dates:</u></b> Same as Plan 1</p>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</b></p> <p><b><u>Exceptions to COLA Effective Dates:</u></b> Same as Plan 1 and Plan 2.</p>

**ROCKBRIDGE COUNTY SOLID WASTE AUTHORITY  
(A COMPONENT UNIT OF THE COUNTY OF ROCKBRIDGE, VIRGINIA)**

**Notes to Financial Statements (Continued)  
June 30, 2015**

**NOTE 9—PENSION PLAN: (CONTINUED)**

***Plan Description (Continued)***

<b>RETIREMENT PLAN PROVISIONS (CONTINUED)</b>		
<b>PLAN 1</b>	<b>PLAN 2</b>	<b>HYBRID RETIREMENT PLAN</b>
<p><b>Disability Coverage</b> Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>	<p><b>Disability Coverage</b> Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>	<p><b>Disability Coverage</b> Employees of political subdivisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.</p> <p>Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>
<p><b>Purchase of Prior Service</b> Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.</p>	<p><b>Purchase of Prior Service</b> Same as Plan 1.</p>	<p><b>Purchase of Prior Service</b> <b><u>Defined Benefit Component:</u></b> Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> <li>• Hybrid Retirement Plan members are ineligible for ported service.</li> <li>• The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation.</li> <li>• Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost.</li> </ul> <p><b><u>Defined Contribution Component:</u></b> Not applicable.</p>

**ROCKBRIDGE COUNTY SOLID WASTE AUTHORITY  
(A COMPONENT UNIT OF THE COUNTY OF ROCKBRIDGE, VIRGINIA)**

**Notes to Financial Statements (Continued)  
June 30, 2015**

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**NOTE 9—PENSION PLAN: (CONTINUED)**

The system issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for the plans administered by VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/pdf/publications/2014-annual-report.pdf>, or by writing to the system's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

***Contributions***

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. The Solid Waste Authority opted to make the transition in a single fiscal year rather than phasing in the requirement.

The Authority's contractually required contribution rate for the year ended June 30, 2015 was 14.03% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Authority were \$54,022 and \$51,640 for the years ended June 30, 2015 and June 30, 2014, respectively.

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

At June 30, 2015, the Authority reported a liability of \$260,935 for its proportionate share of the net pension liability. The Authority's net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2013, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014. The Authority's proportionate share of the same was calculated using creditable compensation as of June 30, 2015 as a basis for allocation. At June 30, 2014, the Authority's proportion was 6.4%.

***Actuarial Assumptions – General Employees***

The total pension liability for General Employees in the Authority's Retirement Plan was based on an actuarial valuation as of June 30, 2013, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

**ROCKBRIDGE COUNTY SOLID WASTE AUTHORITY  
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**Notes to Financial Statements (Continued)  
June 30, 2015**

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**NOTE 9—PENSION PLAN: (CONTINUED)**

Inflation	2.5%
Salary increases, including inflation	3.5% – 5.35%
Investment rate of return	7.0%, net of pension plan investment expense, including inflation*

\* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected

***Actuarial Assumptions – General Employees (Continued)***

plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

Mortality rates: 14% of deaths are assumed to be service related

Largest 10 – Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

All Others (Non 10 Largest) – Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

**ROCKBRIDGE COUNTY SOLID WASTE AUTHORITY  
(A COMPONENT UNIT OF THE COUNTY OF ROCKBRIDGE, VIRGINIA)**

**Notes to Financial Statements (Continued)  
June 30, 2015**

**NOTE 9—PENSION PLAN: (CONTINUED)**

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
  - Decrease in rates of disability retirement
  - Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

***Long-Term Expected Rate of Return***

The long-term expected rate of return on pension System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return</u>
U.S. Equity	19.50%	6.46%	1.26%
Developed Non U.S. Equity	16.50%	6.28%	1.04%
Emerging Market Equity	6.00%	10.00%	0.60%
Fixed Income	15.00%	0.09%	0.01%
Emerging Debt	3.00%	3.51%	0.11%
Rate Sensitive Credit	4.50%	3.51%	0.16%
Non Rate Sensitive Credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public Real Estate	2.25%	6.12%	0.14%
Private Real Estate	12.75%	7.10%	0.91%
Private Equity	12.00%	10.41%	1.25%
Cash	1.00%	-1.50%	-0.02%
Total	<u>100.00%</u>		<u>5.83%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>8.33%</u>

**ROCKBRIDGE COUNTY SOLID WASTE AUTHORITY  
(A COMPONENT UNIT OF THE COUNTY OF ROCKBRIDGE, VIRGINIA)**

**Notes to Financial Statements (Continued)  
June 30, 2015**

**NOTE 9—PENSION PLAN: (CONTINUED)**

\* Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%.

***Discount Rate***

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the employer for the County Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

***Sensitivity of the Authority's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate***

The following presents the Authority's proportionate share of the net pension liability using the discount rate of 7.00%, as well as what the Authority's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	<u>Rate</u>		
	<u>(6.00%)</u>	<u>(7.00%)</u>	<u>(8.00%)</u>
Rockbridge County Solid Waste Authority's proportionate share of the County Retirement Plan Net Pension Liability	\$ 506,916	\$ 260,935	\$ 55,091

***Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

For the year ended June 30, 2015, the Authority recognized pension expense of \$28,943. At June 30, 2015, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 102,859
Employer contributions subsequent to the measurement date	54,022	-
Total	<u>\$ 54,022</u>	<u>\$ 102,859</u>

**ROCKBRIDGE COUNTY SOLID WASTE AUTHORITY  
(A COMPONENT UNIT OF THE COUNTY OF ROCKBRIDGE, VIRGINIA)**

**Notes to Financial Statements (Continued)  
June 30, 2015**

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**NOTE 9—PENSION PLAN: (CONTINUED)**

***Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources  
Related to Pensions***

\$54,022 reported as deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30,</u>	
2016	\$ (25,715)
2017	(25,715)
2018	(25,715)
2019	(25,714)
Thereafter	-

**NOTE 10—OTHER POSTEMPLOYMENT BENEFITS:**

The Authority has implemented Governmental Accounting Standards Board (GASB) Statement No. 45 for other postemployment benefits (OPEB) offered to retirees. This standard addresses how local governments should account for and report their costs related to post-employment health care and other non-pension benefits, such as the Authority's retiree health benefit subsidy. Historically, the Authority's subsidy was funded on a pay-as-you-go basis, but GASB Statement No. 45 requires that the Authority accrue the cost of the retiree health subsidy and other post-employment benefits during the period of the employees' active employment, while the benefits are being earned, and disclose the unfunded actuarial accrued liability in order to accurately account for the total future cost of post-employment benefits and the financial impact on the Authority. This funding methodology mirrors the funding approach used for pension benefits. The Authority is included in the County of Rockbridge's reporting of contributions, funding status and progress for its OPEB Plan. The Authority has recorded an OPEB liability of \$3,000 at June 30, 2015.

**NOTE 11—COMPENSATED ABSENCES:**

The Authority has accrued liabilities arising from compensated absences. No benefits or pay is received for unused sick leave upon termination. When employees leave the Authority's service through resignation or retirement, they are compensated for accumulated sick leave, up to the maximum hours allowed. The Authority has outstanding accrued vacation pay totaling \$32,291.



**ROCKBRIDGE COUNTY SOLID WASTE AUTHORITY  
(A COMPONENT UNIT OF THE COUNTY OF ROCKBRIDGE, VIRGINIA)**

**Notes to Financial Statements (Continued)  
June 30, 2015**

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**NOTE 12—LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS:**

The Rockbridge County Solid Waste Authority (a Component Unit of the County of Rockbridge, Virginia) owns the only permitted landfill site within the County of Rockbridge. The Cities of Lexington and Buena Vista also use the landfill site. Landfill costs are prorated to each jurisdiction based on tonnage of solid waste accepted each month. The Rockbridge County Solid Waste Authority (a Component Unit of the County of Rockbridge, Virginia) is responsible for the management and operation of the landfill. Rockbridge County's share of tonnage has historically been approximately 65%, the City of Lexington's share has been approximately 20%, and Buena Vista approximately 15%.

State and federal laws and regulations require the Rockbridge County Solid Waste Authority (a Component Unit of the County of Rockbridge, Virginia) to place a final cover on the landfill site when it is filled to capacity or stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the Rockbridge County Solid Waste Authority (a Component Unit of the County of Rockbridge, Virginia) reports a portion of these closure and post-closure care costs as an operating expense in each period based on landfill capacity at each balance sheet date.

The \$1,972,305 reported as accrued closure and post-closure liability at June 30, 2015 represents the cumulative amount reported based on the estimated number of years remaining. The estimated total current cost of the landfill closure and post-closure care of \$1,972,305 is based on the amount that would be paid if all equipment, facilities and services required to close, monitor and maintain the landfill were acquired as of June 30, 2015. Actual cost may be higher due to inflation, changes in technology, or changes in regulations. The Rockbridge County Solid Waste Authority (a Component Unit of the County of Rockbridge, Virginia) intends to fund these costs from tipping revenues and from any funds derived and accumulated for this purpose in the upcoming years.

At June 30, 2014, the Authority demonstrated financial assurance requirements for closure, post-closure care, and corrective action costs through the submission of a Local Government Financial Assurance Test to the Virginia Department of Environmental Quality in accordance with Section 9VA C20-70 of the Virginia Administrative Code.



**REQUIRED SUPPLEMENTARY INFORMATION**

**ROCKBRIDGE COUNTY SOLID WASTE AUTHORITY**  
**(A Component Unit of the County of Rockbridge, Virginia)**  
**Schedule of Authority's Proportionate Share of the Net Pension Liability**  
**June 30, 2015**

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<b>Date</b>	<b>Proportion of the Net Pension Liability (NPL)</b>	<b>Proportionate Share of the NPL</b>	<b>Covered Employee Payroll</b>	<b>Proportionate Share of the NPL as a Percentage of Covered Payroll (3)/(4)</b>	<b>Pension Plan's Fiduciary Net Position as a Percentage of Total Pension Liability</b>
<b>(1)</b>	<b>(2)</b>	<b>(3)</b>	<b>(4)</b>	<b>(5)</b>	<b>(6)</b>
2014	6.4000%	\$ 260,935	\$ 385,046	67.77%	86.62%

Schedule is intended to show information for 10 years. Since 2015 is the first year for this presentation, no other data is available. However, additional years will be included as they become available.

**ROCKBRIDGE COUNTY SOLID WASTE AUTHORITY**  
**(A Component Unit of the County of Rockbridge, Virginia)**  
**Schedule of Employer Contributions**  
**For the Year Ended June 30, 2015**

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**Exhibit 5**

<b>Date</b>	<b>Contractually Required Contribution (1)</b>	<b>Contributions in Relation to Contractually Required Contribution (2)</b>	<b>Contribution Deficiency (Excess) (3)</b>	<b>Employer's Covered Employee Payroll (4)</b>	<b>Contributions as a % of Covered Employee Payroll (5)</b>
2015	\$ 54,022	\$ 54,022	\$ -	\$ 385,046	14.03%

Schedule is intended to show information for 10 years. Since 2015 is the first year for this presentation, no other data is available. However, additional years will be included as they become available.

**Changes of benefit terms** – There have been no significant changes to the System benefit provisions since the prior actuarial valuation. A hybrid plan with changes to the defined benefit plan structure and a new defined contribution component were adopted in 2012. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. The liabilities presented do not reflect the hybrid plan since it covers new members joining the System after the valuation date of June 30, 2013 and the impact on the liabilities as of the measurement date of June 30, 2014 are minimal.

**Changes of assumptions** – The following changes in actuarial assumptions were made effective June 30, 2013 based on the most recent experience study of the System for the four-year period ending June 30, 2012:

Largest 10 – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Largest 10 – LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) – LEOS:

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

## **COMPLIANCE**

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## INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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### TO THE BOARD OF THE ROCKBRIDGE COUNTY SOLID WASTE AUTHORITY (A COMPONENT UNIT OF THE COUNTY OF ROCKBRIDGE, VIRGINIA) LEXINGTON, VIRGINIA

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the business-type activities of Rockbridge County Solid Waste Authority (a component unit of the County of Rockbridge, Virginia) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated November 27, 2015.

#### ***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Rockbridge County Solid Waste Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Rockbridge County Solid Waste Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Rockbridge County Solid Waste Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency or combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

#### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Rockbridge County Solid Waste Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Robinson, Farmer, Cox Associates*

Staunton, Virginia  
November 27, 2015